

BEFORE THE SECURITIES COMMISSIONER

STATE OF COLORADO

Order No. 14-L-09

CONSENT ORDER

IN THE MATTER OF J. P. Morgan Securities, LLC

Respondent

THIS MATTER is before Gerald R. Rome, Securities Commissioner for the State of Colorado ("Securities Commissioner"), on the Stipulation for Consent Order between the Staff of the Colorado Division of Securities ("Division") and Respondent J. P. Morgan Securities, LLC ("JPMS", CRD# 79). After reviewing the Stipulation, grounds therein, and further being advised in the premises, the Acting Securities Commissioner makes the following Findings of Fact and Conclusions of Law as follows:

I.

FINDINGS OF FACTS

1. JPMS admits the jurisdiction of the Colorado Securities Commissioner in this matter.

Relevant JPMS Business Units

2. JPMS's legacy wealth management business unit was referred to as Private Bank within JPMS. A review of Private Bank SAs was included in the scope of this investigation.
3. In July of 2006, the legacy brokerage unit of Banc One Securities Corporation, then known as the Private Wealth Management ("PWM") business unit, was operating in J.P. Morgan Securities Inc., the predecessor broker-dealer to JPMS. A review of PWM SAs was included in the scope of this investigation.

4. In October 2008, the legacy brokerage unit of Bear, Stearns & Co. Inc. known as Private Client Services ("PCS") was operating in J.P. Morgan Securities Inc., the predecessor broker-dealer to JPMS. A review of PCS SAs was included in the scope of this investigation.

Sales Assistant Registration Policies

5. For JPMS's legacy Private Bank, PWM, and PCS business units, SAs provided administrative and sales support to one or more JPMS brokers. Many SAs, as part of their support function to brokers, directly accepted and entered orders from clients.

Private Bank

6. SAs for Private Bank were generally not assigned to specific brokers but rather assisted all brokers in the respective offices in which they were located.
7. Private Bank SAs primarily supported one or more brokers in all facets of the daily business of Private Bank, including contacting clients, maintaining accounts, and accepting client orders.
8. Notably, all Private Bank SAs authorized to accept orders must comply with a 50 state registration policy and compliance with this policy was confirmed prior to granting access to the order entry system.

Private Wealth Management

9. Like Private Bank SAs, PWM SAs were generally not assigned to specific brokers but rather assisted all brokers in the respective offices in which they were located.
10. PWM SAs primarily supported one or more brokers in all facets of the daily business of PWM, including client support, maintaining accounts, and accepting client orders.

11. From 2006 through 2008, JPMS's PWM endeavored to register SAs that were authorized to accept client orders in the same states as the broker(s) they supported, but PWMSAs were generally not registered in all 50 states.
12. In 2009, PWM adopted Private Bank's 50 state registration policy for all SAs who were authorized to accept client orders.

Private Client Services

13. Unlike SAs for Private Bank and PWM, SAs for PCS were generally assigned to support specific brokers.
14. PCS SAs' primary role was to support one or more brokers in all facets of the daily business of PCS, including extensive client contacts, reviewing account activity, and accepting orders from clients.
15. PCS policies required PCS SAs who were authorized to accept client orders to be registered in the same state as the broker(s) they supported, but PCS SAs were generally not registered in all 50 states. The multi-state investigation revealed that, in some instances, there were PCS SAs that were authorized to accept client orders but not registered in the same state as the broker(s) they supported.

Licensing Required

16. Pursuant to §11-51-401, C.R.S., a person shall not transact business in this state as a sales representative unless licensed or exempt from licensing.
17. Pursuant to the general prohibition under §11-51-401, C.R.S., a person cannot accept unsolicited orders in or from Colorado without being licensed or exempt from licensing.
18. Pursuant to §11-51-410, C.R.S., the Securities Commissioner may suspend, revoke, censure, limit or impose conditions on the securities activities that a licensed person may

conduct in this state who has willfully violated or failed to comply with any provision of the Act.

Unlicensed Sales Assistants

19. Consistent with Private Bank's 50 state registration policy, the multi-state investigation did not find that Private Bank SAs accepted orders without appropriate state registrations.
20. However, the multi-state investigation concluded that certain SAs for PWM and PCS accepted unsolicited orders at times when the SAs were not appropriately registered in Colorado.

Failure to Comply with Books & Records Requirements

21. At all relevant times, Private Bank has utilized an order entry system called TOPAZ.
22. Prior to October of 2008, PWM utilized an order entry system called Streetscape. In connection with each order, Streetscape recorded, among other information, the identity of the person who accepted the order from the client. In October of 2008, PWM transferred from Streetscape to TOPAZ.
23. Prior to February of 2011, TOPAZ did not specifically record the identity of the order acceptor (as distinct from the order enterer) and JPMS did not in all instances maintain a separate record to identify the order acceptor for equity or mutual fund trades. Furthermore, prior to June of 2011, TOPAZ did not specifically record the identity of the order acceptor (as distinct from the order enterer) and JPMS did not in all instances maintain a separate record to identify the order acceptor for fixed income and structured product trades.
24. Rule 51-4.5 under the C.R.S. requires every registered broker-dealer to comply with applicable SEC regulations regarding the maintenance and preservation of its Books and Records. To that end, a registered broker-dealer is required to comply with SEC Rule 17a-3.a.(6)(i), which requires each broker-dealer to make and maintain a memorandum of

each brokerage order. In addition to other information, this memorandum is required to show the identity of any person, other than the employee responsible for the account, who accepted a client order. The memorandum need not show the identity of any person, other than the agent responsible for the account, who entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible agent; in that circumstance, the dealer shall maintain a separate record that identifies each other person.

Remedial Efforts

25. JPMS has implemented a number of enhancements in its legacy PCS division since this investigation began, including implementing a new trading system with additional blocking mechanisms and the ability to confirm the registration status of order acceptors.
26. JPMS has further enhanced its registration, compliance training, and written compliance policies.
27. As noted above and as a result of the multi-state investigation, JPMS updated the TOPAZ system to record the identity of the order acceptor in the electronic order system.
28. JPMS provided substantial cooperation in connection with this regulatory investigation.

II.

CONCLUSIONS OF LAW

1. The Securities Commissioner has jurisdiction over this matter pursuant to §11-51-701, C.R.S.
2. JPMS's failure to establish an adequate system to monitor the licensing status of persons accepting client orders constitutes a violation of §11-51-410(1)(i), C.R.S.

3. JPMS's failure to ensure its SAs were licensed in the appropriate jurisdictions constitutes a failure to enforce its established written procedures, and is a violation of §11-51-410(1)(i), C.R.S.
4. JPMS's acceptance of orders in Colorado through SAs who were not properly licensed constitutes a violation of §11-51-401(2), C.R.S.
5. Pursuant to §11-51-410(1), C.R.S., the violations described above constitute bases for the imposition of sanctions against JPMS.
6. The Securities Commissioner finds the following relief appropriate and in the public interest.

III.

UNDERTAKINGS

1. JPMS hereby undertakes and agrees to establish and maintain policies, procedures and systems that reasonably supervise the trade process so that a person can only accept client orders that originate from jurisdictions where the person accepting the order is appropriately licensed.

IV.

ORDER

On the basis of the Findings of Facts, Conclusions of Law, and JPMS's consent to the entry of this Order,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the Colorado Division of Securities and any other action that the Colorado Division of Securities or Securities Commissioner could commence against JPMS under applicable Colorado law as it relates to unlicensed activity

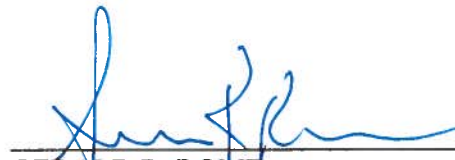
in Colorado by JPMS's SAs and JPMS's supervision of SA licensing during the period from January 1, 2004 through December 31, 2011.

2. This Order is entered into solely for the purpose of resolving the referenced multi-state investigation, and is not intended to be used for any other purpose. For any person or entity not a party to the Order, this Order does not limit or create any private rights or remedies against JPMS, limit or create liability of JPMS, or limit or create defenses of JPMS, to any claims.
3. JPMS is hereby ordered to pay FORTY FIVE THOUSAND NINE HUNDRED NINETY DOLLARS (\$45,990.00) to the State of Colorado in back licensing fees and penalties within ten days of the date of this Order.
4. However, if any state securities regulator determines not to accept JPMS's settlement offer, the total amount of the payment to the State of Colorado shall not be affected, and shall remain at FORTY FIVE THOUSAND NINE HUNDRED NINETY DOLLARS (\$45,990.00).
5. JPMS is hereby ordered to comply with the Undertakings contained herein.
6. This order is not intended by the Colorado Division of Securities or the Securities Commissioner to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means JPMS or any of its affiliates and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).
7. This Order and the order of any other State in related proceedings against JPMS (collectively, the "Orders") shall not disqualify any Covered Person from any business

that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of the State of Colorado and any disqualifications from relying upon this state's licensing exemptions or safe harbor provisions that arise from the Orders are hereby waived.

8. This Order shall be binding upon JPMS and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 3rd day of November, 2014.



GERALD R. ROME
Securities Commissioner